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February 15, 2001

VIA U.S. MAIL AND E-MAIL

California Energy Resources Conservation  
and Development Commission  
Dockets Unit  
1516 9<sup>th</sup> St., MS-4  
Sacramento, CA 95814-5512

*Re: Comments of El Paso Natural Gas Company in Response to Workshop Questions Pertaining  
to Natural Gas Supply Constraint Issues (Docket 00-SIT-2)*

Dear Docket Clerk:

Enclosed for filing with the California Energy Resources Conservation and Development Commission ("Commission") are the original and eleven copies of the Comments of El Paso Natural Gas Company in Response to the Workshop Questions Pertaining to Natural Gas Supply Constraint Issues in the above-referenced docket. This filing was also submitted by email to the Dockets Unit today.

Further, we have been informed by the Commission that there is no service list for this proceeding. In the absence of a service list, we have served an electronic copy of this filing on all parties who received email notice of the February 14, 2001 Emission Offset Availability Workshop from Mr. Rick Buell.

Please date stamp the extra copy of this filing and return it in the enclosed stamped, self-addressed envelope.

Very truly yours,

Davis Wright Tremaine LLP

EDWARD W. O'NEILL

Enclosure

cc: Richard K. Buell, Project Manager (U.S. Mail and E-Mail)

**STATE OF CALIFORNIA  
ENERGY RESOURCES CONSERVATION  
AND DEVELOPMENT COMMISSION**

In the Matter of:

Examining Critical Issues in the Licensing of  
Thermal Powerplants and Related Facilities

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Docket 00-SIT-2

**COMMENTS OF EL PASO NATURAL GAS COMPANY  
IN RESPONSE TO WORKSHOP QUESTIONS  
PERTAINING TO NATURAL GAS SUPPLY CONSTRAINT ISSUES**

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Attorneys for El Paso Natural Gas  
Company

February 15, 2001

**COMMENTS OF EL PASO NATURAL GAS COMPANY  
IN RESPONSE TO WORKSHOP QUESTIONS  
PERTAINING TO NATURAL GAS SUPPLY CONSTRAINT ISSUES**

Pursuant to the schedule established by the Energy Resources Conservation and Development Commission (“Commission”) in its January 12, 2001 “Notice of Siting Committee Workshop on Natural Gas Supply Issues that May Affect Siting of New Powerplants” (“Notice”), El Paso Natural Gas Company (“El Paso”) submits its response to certain workshop questions contained in the Notice. Specifically, El Paso responds to questions under subsection A and B of Issue 1. El Paso provides these responses for informational purposes only and does not intend its responses to be final nor exhaustive on the issues identified in the notice.

ISSUE 1:           THE LACK OF AVAILABLE NATURAL GAS PIPELINE CAPACITY MAY PREVENT THE  
                          LICENSING OF NATURAL GAS FIRED POWER PLANTS IN CALIFORNIA

**A.     General Questions**

1.     What is the approximate cost of building new pipeline capacity (\$/mile)? How does size and location of the pipeline affect the cost?

Response - Costs for building a new pipeline can vary significantly. The major variables that impact the overall cost of a project are costs of acquiring rights-of-way, diameter and pressure rating of the pipe, terrain and population density along the pipeline route, and environmental restrictions. Without knowing the specific factors that would be involved in a project, it is literally impossible to state the cost of a mile of pipeline capacity. For example, a 30 inch pipeline that crosses a relatively uninhabited desert region can be constructed at a cost of approximately \$700,000 per mile while a 30 inch pipeline in a more densely populated area with significant numbers of road crossings can cost as much as \$2,000,000 per mile.

2.     What are the steps needed to add new pipeline capacity?

Response – For a Federal Energy Regulatory Commission (“FERC”) regulated pipeline, the process can be summarized as follows:

- a.     The pipeline typically conducts an open season to determine the level of interest in new capacity. If unmet demand for capacity is demonstrated, the pipeline determines whether there is capacity in the hands of existing

shippers that might be relinquished for resale to new shippers or if a capacity expansion project is needed.

- b. Once potential shippers have been identified, firm transportation service agreements (“TSA”) must be negotiated. FERC requires that the pipeline demonstrate a market for new capacity before a certificate of public convenience and necessity (“CPCN”) is issued. This is typically done by submitting evidence that a substantial portion of the capacity has been subscribed under long-term contracts.
  - c. The pipeline files an application with FERC for a CPCN. CPCN applications usually include full environmental reports as well as documentation indicating that all necessary agencies have been contacted, project surveys have been undertaken, all affected landowners have been identified and contacted, and firm contractual commitments have been obtained.
  - d. Once the facilities proposed in the CPCN application are determined to be required by the public convenience and necessity based on the information provided with the application and responses to data requests, FERC issues an order authorizing their construction. FERC may attach conditions to the CPCN. The regulatory process required to approve a new interstate pipeline typically takes nine to twelve months to complete. Construction cannot begin until the regulatory process has resulted in a FERC order approving the project.
  - e. Once the pipeline accepts the CPCN, it complies with the conditions attached thereto and proceeds with the construction.
3. Who is in charge of making the decision to seek new pipeline capacity? Who has the responsibility of providing the final approval?

Response – Fundamentally, the market decides when new pipeline capacity will be sought. Essentially anyone can approach an interstate pipeline to request new capacity. If sufficient market commitments are identified and obtained, a pipeline company or companies will seek authorization to construct new capacity and the responsible regulatory agency (FERC in the case of interstate pipelines) will provide final approval for the project.

4. Describe the federal and state regulatory processes for approving pipeline projects.

Response – The major steps required to add new interstate pipeline capacity are outlined above.

5. How long does it take to construct a new pipeline project, once approved by a regulatory body? What about an expansion project?

Response – Depending upon the extent of a new project or the type and size of expansion, the construction process can take anywhere from months to years to complete.

**B. Questions Related to the Interstate Pipeline System**

1. Is the current interstate natural gas pipeline system serving California adequate to meet existing power plant natural gas demand on a peak month basis?

Response – The answer to this question will become clearer as all of the market participants work through the current problems, the impact of price induced conservation is observed, and new power plants are sited. However, as noted in El Paso's response to an inquiry from FERC, "El Paso is willing to expand its system if there is sufficient support for such expansion, as demonstrated by the willingness of shippers to enter into long-term contracts for the capacity."

2. Are adequate steps being taken to insure that natural gas will be available for future electric generation facilities when the supply is needed?

Response - As noted in the CEC Staff issues paper, some interstate pipelines have proposed expansions: Pacific Gas and Electric Company ("PG&E") GT-NW – 200 MMcf/d; Questar Southern Trails Pipeline Company – 90 MMcf/d; Kern River Gas Transmission Company – 125 MMcf/d. Sempra Energy and PG&E have also proposed the North Baja Pipeline that would not only transport gas to northern Mexico, but also serve power plants in the San Diego area.

El Paso has indicated that it intends to complete the resale of currently expiring capacity prior to examining the need for an expansion but that, if shippers can be found to subscribe the capacity, El Paso is willing to expand. El Paso has urged FERC to authorize its Line 2000 project as soon as possible and has described how that project and/or other system modifications could help to expand its capacity. El Paso is also exploring possibilities for the use of the California portion of the All American Pipeline that it has purchased.

3. What pipeline projects are currently under consideration to increase capacity to the California border?

Response – See response to prior question.

4. How much interstate pipeline capacity to California is dedicated to electric generation in the state? Who are the capacity holders? What is done with capacity that is not utilized?

Response -- El Paso does not know the ultimate use of the gas that flows on its pipeline system. El Paso's capacity is contracted to shippers representing all segments of the industry, including producers, marketers, end users, and local distribution companies. El Paso maintains a list of customers on its Internet web

site that is automatically updated as contracts expire or are generated. This list can be accessed by anyone. The address is [www.epenergy.com](http://www.epenergy.com). Navigate to the Informational Postings for El Paso and then access the Index of Customers.

Capacity that is not fully utilized by firm shippers is made available by El Paso to other shippers on an interruptible basis at rates found just and reasonable by FERC.

Dated: February 15, 2001

Respectfully submitted,

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